

CITY OF SLOAN
INDEPENDENT ACCOUNTANT'S EXAMINATION REPORT
FOR THE PERIOD
JULY 1, 2012 THROUGH JUNE 30, 2013

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CITY OF SLOAN

OFFICIALS

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Charles Thorpe	Mayor	January, 2016
Lawrence Johnson	Council Member	January, 2014
Darrel Iverson	Council Member	January, 2014
Jeff Redmond	Council Member	January, 2016
Karen Ping	Council Member	January, 2016
Sandra Thorpe	Council Member	January, 2016
Dixie Iverson	City Clerk	Indefinite
Jeffery Sar	Attorney	Indefinite

HUNZELMAN, PUTZIER & Co., PLC

CERTIFIED PUBLIC ACCOUNTANTS

JEFFORY B. STARK, C.P.A.
JASON K. RAVELING
TAMMY M. CARLSON, C.P.A.
RICHARD R. MOORE, C.P.A. (RETIRED)
WESLEY E. STILLE, C.P.A. (RETIRED)
KENNETH A. PUTZIER, C.P.A. (RETIRED)
W. J. HUNZELMAN, C.P.A. 1921-1997

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Independent Accountant's Examination Report

To the Honorable Mayor
and Members of City Council:

We have performed an examination of the City of Sloan pursuant to Chapter 11.6 of the Code of Iowa. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Sloan for the period July 1, 2012 through June 30, 2013. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed security bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's (CFC) recommended uniform chart of accounts and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2013 Annual Financial Report (AFR) to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed investments to determine compliance with Chapter 12B of the Code of Iowa.
8. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.
9. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.

10. We reviewed and tested selected receipts for accurate accounting and consistency with the CFC recommended chart of accounts.
11. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the CFC recommended chart of accounts and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
12. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
13. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
14. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

We were not engaged to and did not conduct an audit of the operations of the City of Sloan, the objective of which is the expression of opinions on financial statements. Accordingly, we do not express opinions on the City's financial statements. Had we performed additional procedures, or had we performed an audit of the City of Sloan, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Sloan and other parties to whom the City of Sloan may report. This report is not intended to be and should not be used by anyone other than these specified parties.

Hummelman, Putzier & Co., PLLC

March 26, 2014

DETAILED RECOMMENDATIONS

CITY OF SLOAN
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City:

1. Cash – handling, reconciling and recording.
2. Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
3. Disbursements – purchasing, invoice processing, check writing, mailing, reconciling and recording.
4. Payroll – recordkeeping, preparation and distribution.
5. Utilities – billing, collecting, depositing and posting.
6. Financial reporting – preparing and reconciling.
7. Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, including elected officials. Independent reviews of reconciliations should be evidenced by the signature or initials of the reviewer and the date of the review.

- (B) Revenue Bonds – The provisions of the sewer revenue bonds require sufficient monthly transfers to be made to a separate sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

Recommendation – The City should establish and make sufficient monthly transfers to a sewer revenue bond sinking account for the purpose of making the bond principal and interest payments when due.

- (C) Monthly Bank Reconciliations – Although monthly bank reconciliations were prepared, the reconciliations were not reviewed by an independent person.

Recommendation – Monthly bank reconciliations should be reviewed by an independent person.

- (D) Petty Cash – The City's petty cash funds were not included in the City's accounting records and resulting fund balances.

Recommendation – Chapter 384.20 of the Code of Iowa states, in part, "A City shall keep accounts which show an accurate detailed statement of all public funds collected, received, or expended for any City purpose." For better accountability, financial and budgetary control, the financial activity and balances of all City funds and accounts, including petty cash, should be included in the Clerk's accounting system.

CITY OF SLOAN
DETAILED RECOMMENDATIONS
FOR THE PERIOD JULY 1, 2012 THROUGH JUNE 30, 2013

- (E) Electronic Check Retention – Chapter 554D.114 of the Code of Iowa allows the City to retain cancelled checks in an electronic format and requires retention in this manner to include both the front and back of each cancelled check. The Library does not receive an image of the back of each cancelled check for its checking account.

Recommendation – The Library should obtain and retain images of both the front and back of cancelled checks as required by Chapter 554D.114 of the Code of Iowa.

- (F) Payroll – City employees are required to complete time cards. The City Council approves all pay increases. The following were identified:

- Library employee hours are not approved prior to payroll being processed.
- We noted that wage increases are approved as a percentage rather than by specific amounts.
- Although time cards are maintained for all employees, there was no indication the time cards had been reviewed by appropriate supervisory personnel prior to preparation of the payroll

Recommendation –The City should have someone in authority review and approve employee hours on all timecards prior to payroll being processed each pay period. Wages of employees should be adequately documented in the City Council minutes.

- (G) Business Transactions - Business transactions between the City and City officials or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Darrel Iverson, Council Member, Brother owns Sloan Tire	Labor and repair	\$1,103
Tammy Coil, Employee, Owns Coil Web Design Father owns Coil Construction	Internet updating Library Improvements	\$827 \$8,814

In accordance with chapter 362.5(3)(k) of the Code of Iowa, the transactions with the father of Tammy Coil may represent a conflict of interest since the amount was greater than \$2,500. The other transactions do not appear to represent conflicts of interest since the cumulative amounts were less than \$2,500 during the fiscal year.

Recommendation –The City should consult with legal counsel to determine the disposition of the matter

- (H) Journal Entry Approval – The City Clerk has control over multiple duties within the City due to its relatively small size, including preparing and posting journal entries. It was noted that there is no independent approval of journal entries prepared and posted.

Recommendation – The City should implement a procedure to have an independent person review and authorize journal entries prepared by the City Clerk such as the Mayor or member of the City Council. Authorization should be documented by the initials of the reviewer as well as the date of the review